

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

iGAMES ENTERTAINMENT, INC.,

Plaintiff, : C.A. No. 04-180 (KAJ)

v. :

CHEX SERVICES, INC. and
EQUITEX, INC.,

JURY TRIAL DEMANDED

Defendants.

**Appendix of Exhibits To iGames's Opposition To The
Motion By Chex's And Equitex For Summary Judgment**

Exhibit B

1 IN THE UNITED STATES DISTRICT COURT
2 FOR THE DISTRICT OF DELAWARE

3 iGAMES ENTERTAINMENT, INC. : C.A. NO. 04-180-KAJ

4 vs. :

5 CHEX SERVICES, INC. and :

6 - EQUITEX, INC. :
7 - - -
8 - - -

9 EQUITEX, INC. and CHEX : C.A. NO. 04-256-KAJ

10 SERVICES, INC., d/b/a :

11 FASTFUNDS :

12 vs. :

13 iGAMES ENTERTAINMENT, INC. :
14 - - -
15 - - -

16 CHEX SERVICES, INC., d/b/a : C.A. NO. 04-0885-KAJ

17 FASTFUNDS :

18 vs. :

19 iGAMES ENTERTAINMENT, INC. :
20 - - -

21 September 17, 2004

22 Oral deposition of IJAZ ANWAR, taken
23 pursuant to notice, was held in the law offices of
24 DUANE MORRIS, LLP, One Liberty Place, 39th Floor,
Philadelphia, Pennsylvania 19103, commencing at
9:15 a.m., on the above date, before Joshua Lieberman,
a Federally Approved Registered Professional Reporter
and Notary Public in and for the Commonwealth of
Pennsylvania.

25 ESQUIRE REPORTING SERVICES

26 15th Floor

27 1835 John F. Kennedy Boulevard
28 Philadelphia, Pennsylvania 19103

29 (215) 988-9191

Ijaz Anwar

1 A. I do not recall calculating.

2 Q. Is it fair to say you did not
3 calculate the number?

4 A. On a piece of paper? I don't
5 recall calculating the number.

6 Q. Did you ever, prior to March 12,
7 2004, tell Chris Wolfington or anyone at iGames
8 that you believed an interest payment or some
9 type of payment was due on this Note?

10 A. I do not recall informing Chris
11 Wolfington.

12 Q. Or anyone at iGames?

13 A. Or anyone at iGames.

14 Q. And the answer was that you do
15 not recall informing Chris Wolfington or anyone
16 at iGames that any kind of payment was due on the
17 Note prior to March 12, 2004?

18 A. I do not recall that.

19 Q. But did I state your answer
20 correctly?

21 A. Sorry?

22 Q. Did I understand your answer
23 correctly?

24 A. Yes.

Ijaz Anwar

1 Q. Are you aware of anyone at Chex--
2 are you aware whether anyone at Chex notified
3 Chris Wolfington or anyone at iGames prior to
4 March 12, 2004, that they believed an interest
5 payment or some type of payment was due on the
6 Note?

7 A. I do not recall right now if
8 anyone else contacted Chris Wolfington.

9 Q. Isn't it fair to say that if
10 someone contacted Chris Wolfington or anyone at
11 iGames, you would either have done it yourself or
12 you would have known about the contact?

13 A. That would be an incorrect
14 statement.

15 Q. Why would that be incorrect?

16 A. Not everything that is
17 communicated to a third party is communicated to
18 me.

19 Q. Well, we're not talking in
20 general. I'm talking about iGames. Weren't the
21 primary contact between Chex Services and iGames?

22 A. I was one of the contacts. I
23 don't know if I was the primary contact.

24 Q. Who else would have contacted

Ijaz Anwar

1 iGames concerning this Note?

2 A. It could have been Jim Welbourn;
3 it could have been Henry Fong; it could have been
4 our counsel.

5 Q. Jim Welbourn relies on you for
6 the accounting and the financial aspect of the
7 business, correct?

8 A. Not entirely.

9 Q. Do you know whether Jim Welbourn
10 Jim Welbourn ever read this Note prior to March
11 12, 2004?

12 A. I cannot speak on behalf of Jim.
13 I don't know.

14 Q. Did you ever show him the Note
15 prior to March 12, 2004?

16 A. I do not recall showing him the
17 Note.

18 Q. Are you aware that one of the
19 alleged breaches by iGames of the stock purchase
20 agreement was its failure to pay interest on this
21 Note when due?

22 A. Yes.

23 Q. As a businessman, who negotiated
24 part of this Note who signed this Note, who

Ijaz Anwar

1 thought iGames owed an interest payment, correct?
2 He didn't raise breach. He raised iGames owed an
3 interest payment?

4 A. That is correct.

5 Q. And you explained your
6 conversation. Now, you said you did not follow
7 up with Chris with that?

8 A. I do not recall following up with
9 Chris.

10 Q. Okay. At any point before
11 terminating or calling in that Note, did anyone
12 in your organization tell Chris that a payment
13 was due and tell him what the amount they thought
14 was due?

15 A. I don't recall the amount due,
16 because I believe, and again I would have to
17 refer back to the Note, there's a provision that
18 either the interest or profits from Available
19 Money are due, one of the two. So to ask for
20 interest payment without receiving the P&N or the
21 calculation from Chris Wolfington on the
22 Available Money financial statements would be, I
23 think, premature.

24 Q. And how would Chris, Mr.

Ijaz Anwar

1 Wolfington, receive the money on the note?

2 January 6th; is that correct?

3 A. As I recall, the funds were -- I
4 don't remember. I think the funds were wired
5 directly into Available Money -- not Available
6 Money -- Available Money or the previous owners
7 of Available Money's banknote.

8 Q. Okay.

9 A. Yes, actually that is correct.
10 We had instructions to send "X" amount to one
11 owner and wire amount to one owner.

12 Q. Do you believe it was done on
13 January 6, 2004, that wiring?

14 A. I can't recall the date. As per
15 the Note, yes. But when was it actually sent? I
16 would have to look at the records of the bank
17 statements to determine that.

18 Q. Well, the Note was actually
19 signed sometime later and then dated January 6th,
20 correct?

21 A. That is correct.

22 Q. And wasn't it dated January 6th
23 because that's when the money was transferred?

24 A. I would make an assumption. For

Ijaz Anwar

1 a fact, I don't know.

2 Q. You'd agree it was on or about
3 January 6th?

4 A. I believe so, yes.

5 Q. All right. So then you said they
6 would have to wait for Available Money -- in
7 order to calculate what was due, you'd have to
8 wait for Available Money's profits and loss
9 statement?

10 A. I believe the Note says that
11 fifty percent -- I would have to read the Note.

12 Q. Go ahead.

13 A. Just give me a second.

14 Q. You know the paragraph?

15 A. Yes, the interest section.

16 Q. You're referring to iGames-1,
17 correct?

18 A. That is correct. Yes, the note
19 asks or requires them to pay fifty percent of the
20 operating income of the borrower's Available
21 Money subsidiary for the period ending February
22 1st, 2004.

23 Just to clarify my position, I
24 believe one of the reasons we did not ask for the

Ijaz Anwar

1 payment during the month of February was the
2 financial statements from Available Money, the
3 calculations from Fifth Third Bank come for the
4 month of February sometime during March. So if
5 they did not have the basis to make a payment, it
6 would be irrelevant to ask for the payment.

7 Q. So basically from your own
8 practices Available Money or iGames wouldn't know
9 or be able to calculate that payment without
10 having the financials, and in your organization
11 that's not done until March 25th or approximately
12 that time period?

13 A. I believe so. So January's
14 financial statements would have or should have, I
15 don't know exactly when they did at iGames,
16 arrived sometime in February, in February and
17 March, I would assume. I don't know exact dates,
18 how Fifth Third and Available Money provided the
19 financial statements.

20 Q. Doesn't that Note provide for one
21 payment for the time period before February 1st
22 and not a separate payment for January?

23 MR. PORETTI: Objection. Vague.

24 A. At least I don't read in the Note

Ijaz Anwar

1 that they can substitute the February payment or
2 the January payment. Maybe I'm reading it
3 incorrectly.

4 Q. Could you tell me where in that
5 Note it says there is a January payment or when
6 it's due or how to calculate it?

7 MR. PORETTI: Objection.

8 Compound.

9 BY MR. BEAUSOLEIL:

10 Q. Explain to me the basis for
11 saying there's a January payment due.

12 A. Funds were given on January 6th,
13 somewhere around January 6th.

14 Q. And the Note then was negotiated
15 and signed somewhere around January 21st,
16 correct?

17 A. That would be correct. I believe
18 so. I know it's dated January 6th and it was
19 subsequently negotiated or signed and then dated
20 for January 6th.

21 Q. In fact, this is sent, the fax
22 says January 21, '04. We could later maybe
23 establish that a little better. Okay?

24 A. Yes.

Ijaz Anwar

1 Q. All right. So the January 21st
2 Note is signed in terms of settled?

3 A. I don't know the exact date, but
4 it was signed after January 6th. Yes, sometime
5 after January 6th. It was not signed on January
6 6th.

7 Q. All right. Then I was asking if
8 you would read that Note and give me the basis
9 for your statement that there was some type of
10 payment due for January.

11 MR. PORETTI: I object in that the
12 document speaks for itself, but go ahead
13 and answer.

14 A. It does not refer to a
15 calculation of interest for the month of January.

16 Q. It combines January and -- tell
17 me, Mr. Anwar, when the first --

18 A. For the period ending February
19 1st, when it says the period ending February 1st,
20 it's really referring to January, because the
21 period ending February 1st entails the month of
22 January.

23 Q. Tell me when that payment was due
24 and how you would calculate it. You don't have

Ijaz Anwar

1 to give me exact numbers. You can just tell me.

2 A. When was the payment due for the
3 month of January?

4 Q. Hm-hmm.

5 A. It doesn't specify a date, but it
6 says in addition, in lieu of interest, the
7 borrower shall, on a monthly basis, pay to the
8 lender and amount equal to fifty percent of the
9 operating income of borrower's Available Money,
10 Inc. subsidiary, Available Money.

11 So when it says on a monthly basis
12 and you're talking about the month of January,
13 ending February 1st, if you say monthly basis, it
14 would be during the month of February that they
15 would have to pay the interest for the month of
16 fifty percent profits for the month of January.

17 Q. How would iGames during the month
18 of February, having closed on this January 21st
19 and having just closed on Available Money, known
20 what to pay you?

21 A. I won't be able to answer that
22 question. That's iGames and Available Money's
23 internal accounting and workings.

24 Q. Didn't you explain that when Mr.

Ijaz Anwar

1 Welbourn told you, questioned you about this, you
2 said it wasn't worth talking to Chris because he
3 wouldn't know what was due until the end of
4 March?

5 A. I did not tell that to Mr.
6 Wolfington. I said that I did not approach
7 Chris, I believe, because -- first of all, I said
8 I don't recall, but now that I'm thinking about
9 it, I think the reason I did not approach Chris
10 was because the financial statements for the
11 month of January would have come to Available
12 Money, being in the same business, sometime
13 middle or end of February.

14 Q. So there's no way he could have
15 figured out the interest payment until when?

16 A. Well, that would depend on when
17 he got the financial statements of Available
18 Money.

19 Q. Tell me what you think when the
20 first payment was due on their Note.

21 A. I think the first payment was due
22 on the Note when they received the financial
23 statements of Available Money for the month of
24 January during the month of February.

Ijaz Anwar

1 Q. Did you ever ask iGames, before
2 the termination letter was sent, whether they had
3 received those receivables? What did you say?

4 A. Financials.

5 Q. Financials, sorry.

6 A. I don't recall asking him.

7 Q. At any time prior to March 12th
8 when the termination letter was sent, did you ask
9 Chris Wolflington or anyone at iGames for the
10 payment?

11 A. We had numerous conversations
12 about a lot of things. I don't recall asking.
13 It would be highly unlikely if I did not ask, but
14 I don't recall sitting here asking.

15 Q. Well, isn't that an important
16 thing? If you're going to terminate a several
17 million-dollar deal, some valued at sixty
18 million, because of failure to make a payment,
19 wouldn't you ask the person for the payment
20 first?

21 A. That is correct, we would ask for
22 the payment first.

23 Q. And do you recall asking for the
24 payment?

Ijaz Anwar

1 A. I, as an individual, do not
2 recall asking, as I said.

3 Q. Are you aware of anyone else in
4 your organization asking?

5 A. In my organization, I don't
6 recall. I'm not aware of anybody asking.

7 Q. And did you ever put into writing
8 when the payment was due and how much was due in
9 order to establish iGames was in breach?

10 A. I think the Note speaks for when
11 the payment is due.

12 Q. I'm asking you, as a business
13 man, as chief financial officer of Chex, did you
14 ever put in writing this is the date the payment
15 was due on the Note; this is how much it was for?

16 A. I did not put that in writing
17 because the payment was due as fifty percent of
18 profits which are not under my control from
19 Available Money.

20 Q. Did iGames ever front money for
21 the CNIGA game show for Chex?

22 A. iGames did not front money for
23 Chex for the CNIGA show.

24 Q. Well, did Chex owe money to

Ijaz Anwar

1 February that iGames should have made an interest
2 payment when you yourself didn't know what the
3 number would have been?

4 A. Yes, I do believe that iGames
5 should have made a payment, not an interest
6 payment, a payment for the fifty percent of the
7 profits, yes.

8 Q. In February they should have
9 paid, written a check in February for payment of
10 fifty percent of profits for Available Money?

11 A. Yes. The funds were given in
12 January, on January 6th, two million dollars, and
13 there's a cost involved for those funds. So we
14 did believe that for the month of January they
15 should have given us some kind of compensation
16 for the funds that we lent them in the month of
17 February.

18 Q. Some token amount?

19 A. I wouldn't say token amount.
20 Some true basis of calculation and not a token
21 amount.

22 Q. But you were going to leave up to
23 them how much and when it was supposed to be
24 made?

Ijaz Anwar

1 A. No, the Note asks for fifty
2 percent of the profits for Available Money for
3 the month ending February 1st. So when they
4 would have received the financial statements for
5 Available Money for the month of January, that
6 would have determined the amount owed.

7 Q. If I told you they received the
8 financials on February 27th, would you think that
9 was reasonable?

10 A. That would be reasonable.

11 Q. So the first earliest possible
12 date for iGames with that assumption would have
13 been February 27, 2004, if they immediately made
14 the calculations once they received the
15 financials?

16 A. That is correct. Can I get some
17 water, please?

18 Q. Yes, sure.

19 MR. BEAUSOLEIL: You want to take
20 a break?

21 MR. PORETTI: Sure.

22 (Whereupon a comfort recess
23 was taken 10:15 a.m.)

24 (Whereupon the testimony resumed

Ijaz Anwar

1 at 10:22 a.m.)

2 MR. PORETTI: Jim, I think Mr.
3 Anwar needs to clarify an answer. He
4 misunderstood the question about where
5 the idea of the loan on Available Money
6 came from. So if you want to give him a
7 chance to fix that, you'll probably save
8 some confusion.

9 BY MR. BEAUSOLEIL:

10 Q. You want to offer an explanation?

11 A. Sure. We were asked to provide
12 financing and then we consented to providing
13 financing.

14 Q. Can you explain that again?

15 A. We were asked under Available
16 Money to provide the financing for the first
17 payment.

18 Q. Wait a minute. Chex or you
19 personally?

20 A. All the discussions were with
21 Henry Fong, myself and iGames together. So I
22 think we were altogether.

23 Q. Who asked you for that?

24 A. Chris Wolfington.

<p>1 accounting software called Great Plains. 2 Q. Could you just take me through 3 your promotions and different titles. 4 A. I don't know the exact dates, 5 but I've been very fortunate. I was very 6 fortunate in getting promoted. I became a senior 7 accountant. That was my first position from the 8 data entry or coming in as a temp. I don't know 9 the dates exactly. 10 Q. That's fine. 11 A. And then I was promoted to 12 controller, and then I was promoted to the 13 treasurer and then once we went public or we were 14 acquired by Equitex in 2001, I was promoted as a 15 CFO. At the hotel chain in Dubai, I was the 16 controller there. 17 Q. And you were a CFO for Equitex 18 beginning -- 19 A. For Chex. 20 Q. -- for Chex beginning in 2001? 21 A. No, we were acquired in December, 22 2001. I think sometime in 2002, March or April. 23 Q. And then have you had any 24 promotions since that time or change in your </p>	<p>70</p> <p>1 A. I was responsible for all the 2 financial operations of Chex Services as well as 3 I participated in the various transactions that 4 Equitex was involved in on behalf of Chex or Chex 5 was involved in on behalf of Equitex. 6 Q. When did you first meet Chris 7 Wolfington? 8 A. When was the first time I met 9 Chris Wolfington? I think I met Chris Wolfington 10 for the first time during 2001 prior to the 11 acquisition of Chex Services by Equitex. I 12 think. 13 Q. And do you remember like under 14 what circumstances did you meet him? 15 A. I clearly remember. I don't 16 remember the date. Don't quote me on the date, 17 please. I remember he and Jake Koldus came in 18 with bright yellow, orange T-shirts and they were 19 wearing khaki slacks. So they were very slick 20 looking individuals. So that still stays in my 21 mind. 22 Q. Was that some kind of event? 23 A. I was senior accountant. I was 24 nobody, so they just passed by and shook our </p> <p>72</p>
<p>1 position? 2 A. Yes. Once a reverse merger took 3 place, a reverse merger took place in March or 4 June of this year, I was given the additional 5 responsibility of operations in addition to 6 finance. So I'm currently the CFO and COO of 7 FastFunds Financial Corporation. 8 Q. FastFunds Financial Corporation. 9 And before May or June of 2004, 10 you were CFO of Chex Services, Inc. 11 doing business as FastFunds? 12 A. That is correct. 13 Q. You are now CFO and COO of what? 14 A. FastFunds Financial Corporation 15 and subsidiary Chex Services. 16 Q. Prior to June, 2004, when you 17 were working for Chex, what did your paycheck 18 say? Just the name of the entity that paid you. 19 A. Chex Services, Inc. 20 Q. Have you ever gone by any other 21 names other than Ijaz Anwar? 22 A. No. 23 Q. What were your responsibilities 24 as CFO of Chex? </p>	<p>71</p> <p>1 hands and that's it. So that was the first 2 encounter with Mr. Wolfington. 3 Q. Have you gotten to know Mr. 4 Wolfington over the past few years? 5 A. Yes. 6 Q. Have you worked on different 7 various business transactions with him? 8 A. One business transaction, various 9 business issues, yes. 10 Q. In the past, have your companies 11 worked together where you shared staff, like COOs 12 shared receivables and things like that? 13 A. We managed some contracts for 14 MCA. And MCA, being a private entity, was owned 15 by Chris Wolfington. 16 Q. Did you at one point share some 17 technical people, some IT people, both Chex and 18 MCA? 19 A. We did various projects together. 20 I'm sure we shared employees back and forth. We 21 were managing contracts on behalf of MCA. So we 22 may have helped them and they may have helped us. 23 Q. Has Chris Wolfington always 24 operated with integrity, as far as you're </p> <p>73</p>

<p>1 concerned?</p> <p>2 A. Yes.</p> <p>3 Q. Has he ever lied to you?</p> <p>4 A. Not to my knowledge.</p> <p>5 MR. BEAUSOLEIL: This is going to 6 be iGames-2.</p> <p>7 (Whereupon an e-mail consisting 8 of three pages dated March 19, 2004, was 9 marked as iGames-2)</p> <p>10 BY THE WITNESS:</p> <p>11 Q. Having worked with Chris over the 12 years and having done projects, as you said, 13 together, do you think Chris would have knowingly 14 breached an agreement?</p> <p>15 MR. PORETTI: Objection.</p> <p>16 Speculation.</p> <p>17 BY MR. BEAUSOLEIL:</p> <p>18 Q. Such as the Note or the stock 19 purchase agreement?</p> <p>20 MR. PORETTI: Objection. It calls 21 for speculation.</p> <p>22 A. I would not answer that. I can't 23 answer that question.</p> <p>24 Q. Do you think -- do you personally</p>	<p>74</p> <p>1 question. I don't know what Chris Wolfington 2 would do under these circumstances.</p> <p>3 Q. Well, you know what he did under 4 these circumstances. You were communicating with 5 him. Do you believe if you had asked him for the 6 payment or told him you believed a payment was 7 due and that if the payment was Note made, he 8 would be in breach, he would have made the 9 payment?</p> <p>10 MR. PORETTI: Objection. It calls 11 for speculation.</p> <p>12 A. I cannot answer that question.</p> <p>13 Q. Do you agree that you didn't give 14 him that opportunity?</p> <p>15 A. I think the Note itself clearly 16 states when the payment is due.</p> <p>17 Q. Well, you say it clear states 18 when the payment is due and you haven't told me 19 yet what you thought it was due.</p> <p>20 A. I can talk about the Note, not 21 what Chris Wolfington should have or would have 22 done. The note clearly states when the payment 23 is due and if you comply with the Note.</p> <p>24 Q. You told me that Mr. Welbourn</p>	<p>75</p>
<p>1 believe that Chris would knowingly breach -- in 2 this instance we're talking about the Note and 3 that the payment was due. Do you think Chris 4 knowingly failed to make a payment on that Note?</p> <p>5 MR. PORETTI: Objection. It calls 6 for speculation.</p> <p>7 BY MR. BEAUSOLEIL:</p> <p>8 Q. You can answer the question just 9 based on your own knowledge and your own beliefs.</p> <p>10 A. It calls for speculation.</p> <p>11 Q. No, no, that's not a fair 12 objection. He could put that on the record and 13 preserve it, but you have to answer that.</p> <p>14 MR. PORETTI: I think it is a fair 15 answer. You're asking him to testify 16 the state of mind of Mr. Wolfington. He 17 has no basis for doing that. In fact, 18 his answer is his answer.</p> <p>19 BY MR. BEAUSOLEIL:</p> <p>20 Q. I asked you if you personally 21 believe that Chris Wolfington would knowingly 22 fail to make a payment on that Note?</p> <p>23 MR. PORETTI: The same objection.</p> <p>24 A. I personally cannot answer that</p>	<p>1 raised an issue?</p> <p>2 A. With me.</p> <p>3 Q. With you. If you followed 4 through with Chris Wolfington and told him you 5 believed an amount was due and if he failed to 6 make it, he would be in breach, do you believe he 7 would have made that payment based on your past 8 experiences with him?</p> <p>9 MR. PORETTI: Objection. It calls 10 for speculation. Lack of foundation.</p> <p>11 A. Again I would refer back to the 12 Note which clearly states when the payment is 13 due.</p> <p>14 Q. Well, that's a legal issue. 15 We're going to have judges look at that. We're 16 going to have a jury look at that. I'm going to 17 look at it, your lawyer is going to look at it. 18 I don't need to look at the Note.</p> <p>19 I'm asking you, this is my 20 opportunity to ask you what you believe, 21 what you know, what you may have heard. 22 There's all kinds of ranges of 23 testimony. You just have to be clear 24 with where it's coming from.</p>	<p>77</p>

<p>1 know the dates. I don't remember the dates. 2 Q. The first weekend of 2004? 3 A. Yes, I believe. 4 Q. That's when the termination took 5 place? 6 A. We exited or we were asked to 7 leave or we discontinued our services, I think, 8 on the first Monday of 2004. 9 Q. And how long -- 10 A. So I think if you backtrack from 11 there during the weekend, yes, late Friday I was 12 in the office. I don't know if that late Friday 13 was 2003 or 2004. But late Friday I was in the 14 office and then we received a termination letter 15 from Seminal. It was faxed over to us and I was 16 in the office and I received that letter. 17 Q. That's when you first learned, 18 through that fax? 19 A. Yes. 20 Q. Did you have any warning ahead of 21 that fax? 22 A. No. 23 Q. Did you know there were problems 24 before you got that fax?</p>	<p>102 1 financial statements and provide the correct 2 amounts to both the tribe and NACS and NACSF. So 3 it's various information. 4 Q. Well, for checks cashed in 5 January, how long would it take you to collect 6 the information and calculate the commission paid 7 and credited to the tribe? 8 A. We attempted to pay by the 25th 9 of the following month. 10 A. Were you always successful? 11 A. No, we were sometimes not 12 successful. Sometimes we paid ahead of time. 13 Sometimes we paid on the 25th. 14 Q. What portion of Chex's revenues 15 did the Seminal contracts represent? 16 A. As I recall, I believe it was 17 twenty-two-and-a-half percent. 18 Q. Would you agree that that's a 19 significant portion of Chex's revenues? 20 A. Yes, I would agree with that. 21 Q. What was the reaction by the 22 public over the announcement that you were 23 terminated from those contracts? 24 A. When you say "public," could you</p>
<p>1 A. No, we did not know of any 2 problems prior to that fax. I do not recall 3 knowing of any problems before that fax. 4 Q. In that contract -- 5 A. Seminal? 6 Q. Seminal contract, yes, were there 7 like five casinos that you provided cash services 8 for? 9 A. Yes, that is correct. 10 Q. Did you have to pay commissions 11 back to the tribe? 12 A. We paid commission to the tribe 13 as well as NACS and NACSF. 14 Q. How did you determine the 15 commissions? 16 A. I don't recall the calculations. 17 I know the NACS and NACSF commissions were a net- 18 based portion of the net profit and the tribe's 19 commission were a percentage of gross revenue. 20 Q. And what information would you 21 need from the casino or from the booths in order 22 to calculate the commission? 23 A. It's an accumulation of a lot of 24 information to tabulate or construct the</p>	<p>103 1 just define exactly who you're referring to. 2 Q. Well, we could start with the 3 industry, people in the industry. What kind of 4 feedback, what kind of reaction did you get? 5 A. Because I'm on the financial 6 side, I'm not that involved on the day to day 7 interaction from the industry as such. So I 8 can't really comment on the industry side. To my 9 knowledge, I can't recall any positive or 10 negative comment from the industry side. 11 Q. Well, you wouldn't expect any 12 positive comment, would you? 13 A. Any comment, yes. 14 Q. You would not expect positive 15 comments from that termination, would you? 16 A. Yes. Well, you could expect a 17 positive comment if somebody does not like 18 Seminal tribe and you leave the financial 19 services at Seminal, they would be happy at 20 another tribe. 21 Q. Did that happen, to your 22 knowledge? 23 A. Again I'm not involved on the 24 industry side.</p>

<p style="text-align: right;">114</p> <p>1 Fong?</p> <p>2 A. Let me think about that, please.</p> <p>3 I believe so, yes.</p> <p>4 Q. As a managing officer of Chex, as</p> <p>5 part of the management team of Chex, you</p> <p>6 understand how investors and the public would</p> <p>7 react to a significant loss of income or loss</p> <p>8 like in this case of five casinos at the same</p> <p>9 time, correct?</p> <p>10 A. Generally the market place, yes.</p> <p>11 Intimately on the Equitex side, no, I would not</p> <p>12 have knowledge as to how the shareholders of</p> <p>13 Equitex would directly react.</p> <p>14 Q. Well, at the time iGames was</p> <p>15 acquiring Chex, it was supposed to be a good deal</p> <p>16 for iGames. It was supposed to be actually for</p> <p>17 both companies, but it was going to make --</p> <p>18 iGames was probably traded and it was going to</p> <p>19 help. They were going to grow in the market and</p> <p>20 the two companies would be, the two would be</p> <p>21 better than, two together would be better than</p> <p>22 two independent companies, correct?</p> <p>23 A. That is correct.</p> <p>24 Q. You expected some synergies?</p>	<p style="text-align: right;">116</p> <p>1 at the time?</p> <p>2 A. Could you repeat that? What</p> <p>3 concern?</p> <p>4 Q. Was the reputation of Chex</p> <p>5 Services -- was the harm that the loss of those</p> <p>6 casino to Chex Services -- let me try to figure</p> <p>7 out my question, sorry.</p> <p>8 Was the harm to Chex's reputation</p> <p>9 that resulted from the loss of those</p> <p>10 casinos a concern to the management of</p> <p>11 Chex?</p> <p>12 A. Yes.</p> <p>13 Q. Therefore, wouldn't you expect it</p> <p>14 was also a concern to iGames?</p> <p>15 A. I can't speak on behalf of</p> <p>16 iGames.</p> <p>17 Q. Well, I'm not asking you in all</p> <p>18 these questions to speak on behalf of iGames.</p> <p>19 I'm asking you whether you believed it, from your</p> <p>20 personal experience, believed it was a problem or</p> <p>21 whether, as part of the management team and part</p> <p>22 of the person on these e-mails and being included</p> <p>23 in discussions and board meetings, you learned</p> <p>24 that yes, it was a problem either for both Chex</p>
<p style="text-align: right;">115</p> <p>1 A. Yes.</p> <p>2 Q. So when iGames was in the middle</p> <p>3 of acquiring Chex and Chex lost 22.5 percent of</p> <p>4 their operating income was it?</p> <p>5 A. Revenue.</p> <p>6 Q. Revenue, wouldn't you expect a</p> <p>7 negative reaction by the public and by the</p> <p>8 investors in iGames to that news?</p> <p>9 MR. PORETTI: Objection. It calls</p> <p>10 for speculation.</p> <p>11 A. I don't know the shareholders of</p> <p>12 iGames. Generally speaking, yes, in the</p> <p>13 marketplace if a negative event takes place, yes.</p> <p>14 Q. Didn't you initiate litigation</p> <p>15 and claim all those things, for instance, that</p> <p>16 the termination was going to harm Chex's</p> <p>17 reputation, irreparably harm their reputation?</p> <p>18 A. Which litigation are you</p> <p>19 referring to?</p> <p>20 Q. Against Cash Systems.</p> <p>21 A. I'm not intimately involved. I</p> <p>22 would have to look at the documents if that is</p> <p>23 one of the claims.</p> <p>24 Q. Was that a concern of management</p>	<p style="text-align: right;">117</p> <p>1 and for iGames?</p> <p>2 A. I don't know if it was a problem</p> <p>3 for iGames. If I was in iGames' shoes, I would</p> <p>4 be concerned.</p> <p>5 Q. And you immediately took legal</p> <p>6 action because of that loss and you also took</p> <p>7 internal cost cutting action, correct?</p> <p>8 A. We initiated legal action, yes.</p> <p>9 Q. You also cut costs in various</p> <p>10 ways to make up for that loss?</p> <p>11 A. That is correct.</p> <p>12 Q. If I wrote a check in one of your</p> <p>13 casinos, if I wanted to cash a hundred dollars,</p> <p>14 how much would I have to write the check for?</p> <p>15 A. The average fee, I believe it's</p> <p>16 six dollars, six percent.</p> <p>17 Q. So if I wanted to cash a hundred</p> <p>18 dollars, I'd write a \$106 check?</p> <p>19 A. That is correct.</p> <p>20 Q. And if I cashed a \$106 check with</p> <p>21 one of Chex's or FastFunds' booths in September,</p> <p>22 2003, it bounced, how would you handle it in your</p> <p>23 accounting?</p> <p>24 A. If the check bounced for \$107, we</p>

<p>1 would write off that check or expense it in our 2 financial statement.</p> <p>3 Q. So if I wrote a check for -- is 4 it 107 or 106?</p> <p>5 A. Sorry? 106.</p> <p>6 Q. Well just use that. So if I 7 wrote a check September 1st, 2003, for \$106, how 8 long would it take before you knew it bounced if 9 I wrote a bad check?</p> <p>10 A. It depends on the location. If 11 you have electronic versus manual, most of them 12 are electronic, so I would say within 48 hours.</p> <p>13 Q. So within 48 hours -- so within 14 the month of September, if I wrote it September 15 1st, you're going to know it's no good?</p> <p>16 A. That is correct.</p> <p>17 Q. How then would that be accounted 18 for? You said you would write it off?</p> <p>19 A. Hm-hmm.</p> <p>20 Q. Where would that get written off? 21 Would that be when you reconciled the books late 22 in the following month, like the 25th of the 23 following month?</p> <p>24 A. Yes. Basically when it actually</p>	118	<p>1 collect it for forty-five days. And if they're 2 unsuccessful, it would go back to collection. It 3 would go to the in-house collection.</p> <p>4 Q. I'm sorry, who would get it?</p> <p>5 A. So when the check becomes bad, so 6 Let's differentiate between when it gets written 7 off versus when the information comes.</p> <p>8 Q. September 1, 2003, I'll give you 9 a pen if you want to visualize it, September 1, 10 2003, I write the check; within a day so, by 11 September 3rd, you know it's insufficient funds?</p> <p>12 A. If it is electronic, we will know 13 within forty-eight hours. Electronically it is 14 insufficient funds. Then the physical check would 15 probably arrive within twenty-four to forty-eight 16 hours after that.</p> <p>17 Q. Okay.</p> <p>18 A. Once the check arrives, it is 19 given to the operations or people at the booth or 20 the Financial Service Center to collect the check 21 for forty-five days, and if they're unsuccessful, 22 the check would go to collections. There are 23 also exceptions.</p> <p>24 Q. That was the policy and procedure</p>	120
<p>1 gets wherein off by the 25th or the 15th, 2 depending on where we are on closing the 3 financial statements for that particular month, 4 you get the bank statement and you actually see 5 the debit in your bank statement and then you 6 write it off in your bank statement, through your 7 bank statement in your financials.</p> <p>8 Q. I asked you September 1, 2003, 9 because you're explaining to me under the 10 policies and procedures you had a place at that 11 time, correct?</p> <p>12 A. That is correct.</p> <p>13 Q. Did you understand?</p> <p>14 A. Yes.</p> <p>15 Q. What amount would you write off 16 the following month as you explained?</p> <p>17 A. Well, the debit, whatever the 18 amount of the debit is in the bank statement. So 19 if the check was 106 and it bounced or came back 20 as NSF, we would have to expense \$106.</p> <p>21 Q. Would you then send that check to 22 collections or how would you handle that check?</p> <p>23 A. It depends. Typically the check 24 would go back to operations. They would try to</p>	119	<p>1 in place in September, 2003, correct?</p> <p>2 A. That is correct.</p> <p>3 Q. And what would happen if you did 4 ultimately collect it; how would you account for 5 it?</p> <p>6 A. If you ultimately collected, it 7 would go back as collection revenue. When you 8 expense it, it's bad check expense, and when you 9 collect it, it's collection revenue.</p> <p>10 Q. That accounting procedure was in 11 place last year?</p> <p>12 A. That is correct. Can I get some 13 water, please?</p> <p>14 Q. Sure.</p> <p>15 MR. BEAUSOLEIL: Let's take a 16 five-minute break.</p> <p>17 (Whereupon a comfort recess 18 was taken at 11:45 a.m.)</p> <p>19 (Whereupon the deposition resumed 20 at 11:56 a.m.)</p> <p>21 BY MR. BEAUSOLEIL:</p> <p>22 Q. What I didn't ask you was did you 23 ever -- are you a certified CPA?</p> <p>24 A. I've passed the CPA exam. I</p>	121

<p>1 don't have a CPA valid license.</p> <p>2 Q. Have you ever had one?</p> <p>3 A. No. I did not go into public</p> <p>4 accounting.</p> <p>5 Q. So after you graduated college,</p> <p>6 you then sat for the CPA exam?</p> <p>7 A. That is correct.</p> <p>8 Q. Have you gone to anymore</p> <p>9 education, any continuing education?</p> <p>10 A. Yes, I regularly take continuing</p> <p>11 education classes and seminars just to keep up</p> <p>12 with what's going on.</p> <p>13 Q. Is that in a particular field?</p> <p>14 A. Accounting financing.</p> <p>15 Q. Have you worked on any graduate</p> <p>16 degrees or anything?</p> <p>17 A. No, I have not.</p> <p>18 Q. Do you have a company, like a</p> <p>19 written policy or procedure in place as to how to</p> <p>20 handle bad checks?</p> <p>21 A. From operations or finance</p> <p>22 perspective?</p> <p>23 Q. I guess both.</p> <p>24 A. Operations we do. Finance we</p>	<p>122</p> <p>1 you?</p> <p>2 A. That would be the auditors who</p> <p>3 determine that.</p> <p>4 Q. You mean outside auditors?</p> <p>5 A. Yes, independent auditors.</p> <p>6 Q. Do you have any role in that?</p> <p>7 A. Setting the policies and</p> <p>8 procedures from the audit side of accounting, no.</p> <p>9 They advise us on what the GAAP requirements are</p> <p>10 for.</p> <p>11 Q. G-A-A-P?</p> <p>12 A. G-A-A-P.</p> <p>13 Q. How many times in your career</p> <p>14 have you accepted a Note from a customer who</p> <p>15 wrote a bad check?</p> <p>16 A. From a customer, I don't recall.</p> <p>17 The Howard LeRoy and Pauline Howard would be in</p> <p>18 my memory the first customer.</p> <p>19 Q. Where Chex ever took a Note and</p> <p>20 exchanged it for bad checks?</p> <p>21 A. That is correct.</p> <p>22 Q. Has any one customer ever written</p> <p>23 more than six hundred thousand dollars in bad</p> <p>24 checks other than the Howards?</p>
<p>1 don't, or accounting side we don't. Operations</p> <p>2 we do.</p> <p>3 Q. So the operations, you're talking</p> <p>4 about people in the cash booth?</p> <p>5 A. Yes, how the process of</p> <p>6 collecting the check works.</p> <p>7 Q. Do you know generally what they</p> <p>8 cover?</p> <p>9 A. As we discussed earlier.</p> <p>10 Q. Forty-five days?</p> <p>11 A. Forty-five days.</p> <p>12 Q. Basically keeping them from</p> <p>13 violating any collection laws?</p> <p>14 A. We deal with first-party</p> <p>15 collections, so the collection laws don't really</p> <p>16 apply to first-party collection because we're</p> <p>17 collecting checks which are written to us</p> <p>18 directly.</p> <p>19 Q. But you do not have written</p> <p>20 policies and procedures in the finance part of</p> <p>21 it?</p> <p>22 A. That is correct.</p> <p>23 Q. So who sets those -- who</p> <p>24 determines what the practice will be, is that</p>	<p>123</p> <p>125</p> <p>1 A. Well, you would have to -- over a</p> <p>2 period of time or a week or a day?</p> <p>3 Q. Is it my understanding that they</p> <p>4 wrote six hundred thousand dollars in bad checks</p> <p>5 in one month?</p> <p>6 A. That is correct.</p> <p>7 Q. Has any other customer ever done</p> <p>8 that?</p> <p>9 A. I would have to go back and look</p> <p>10 at the transaction history to determine that.</p> <p>11 Q. Are you saying it's possible that</p> <p>12 in the years you worked at Chex, that some other</p> <p>13 customer wrote six hundred thousand in bad checks</p> <p>14 in one month?</p> <p>15 A. In bad checks? No. Checks, yes,</p> <p>16 there's a possibility. I would have to go and</p> <p>17 looking. Bad checks from one customer for six</p> <p>18 hundred thousand dollars, no.</p> <p>19 Q. And would it be fair to say Chex</p> <p>20 has never received, other than with the Howards,</p> <p>21 over a hundred thousand of bad checks from one</p> <p>22 customer in one month, a hundred thousand</p> <p>23 dollars?</p> <p>24 A. I would not be able to answer</p>

<p>126</p> <p>1 that question without going back and looking in 2 the data base or the history.</p> <p>3 Q. Well, this is the only customer 4 who ever wrote six hundred or more in bad checks; 5 is that right?</p> <p>6 A. That is correct.</p> <p>7 Q. In one month?</p> <p>8 A. Yes.</p> <p>9 Q. Are there any other incidents 10 that stick out in your mind, any other 11 significant amounts where one customer wrote that 12 many bad checks in one month?</p> <p>13 A. In the range of six hundred?</p> <p>14 Q. Well, any item, whether it was 15 two hundred, whether it was three hundred, but 16 any significant number other than this six 17 hundred.</p> <p>18 A. Yes. A significant number, well, 19 I guess it depends how you define "significant." 20 To my memory, you know, ten thousand, fifteen 21 thousand is what I remember the maximum amounts 22 from a particular customer sitting right here 23 today.</p> <p>24 Q. And the maximum amount that a</p>	<p>128</p> <p>1 before, what's the longest it would have taken 2 you to find out if they were manual checks?</p> <p>3 A. A material amount like this?</p> <p>4 Q. Yes.</p> <p>5 A. Within a week. Maximum, a week.</p> <p>6 Q. Okay. So within a week of them 7 writing checks, you're confident you knew about 8 it?</p> <p>9 A. Yes.</p> <p>10 Q. Do you know if the checks were 11 written in August or September?</p> <p>12 A. I don't. I don't know that 13 sitting here right now.</p> <p>14 Q. Do you know how long after 15 learning about it you got a Note from the 16 Howards?</p> <p>17 A. You would have to look at the 18 date of the Note. I don't know what the date of 19 the Note is. Well, I don't know. I can't answer 20 that question, either. I don't remember the 21 dates.</p> <p>22 Q. I'll show you the Note in a 23 minute, but I wanted to see in your mind if you 24 could remember a time frame. Was it within a</p>
<p>127</p> <p>1 particular customer wrote in a month?</p> <p>2 A. No, that went bad.</p> <p>3 Q. That went bad?</p> <p>4 A. Yes.</p> <p>5 Q. So it could have been over a 6 couple months?</p> <p>7 A. Yes.</p> <p>8 Q. Before you caught it kind of 9 thing?</p> <p>10 A. Yes.</p> <p>11 Q. When did you first learn that the 12 Howards had written six hundred -- I think my 13 understanding is it's \$606,316; does that sound 14 right to you?</p> <p>15 A. Yes, it's in the range of six 16 hundred thousand dollars.</p> <p>17 Q. So when did you first learn that 18 the Howards had written over six hundred thousand 19 dollars in bad checks?</p> <p>20 A. I don't remember the exact date. 21 If they were written during the month of 22 September, I would have found out immediately a 23 few days after that they wrote it.</p> <p>24 Q. As we went through the time line</p>	<p>129</p> <p>1 week, two weeks?</p> <p>2 A. No, the Note was executed not 3 within a week or two weeks. It was executed 4 longer than that. I don't know exactly when.</p> <p>5 Q. Was it executed within a month of 6 you finding out or more?</p> <p>7 A. You know, I would have to -- I 8 don't know. I'm sorry.</p> <p>9 Q. How could we find out? Would you 10 still have the cancelled checks or something like 11 that?</p> <p>12 A. The cancelled checks, we have the 13 cancelled checks and I believe we have presented 14 all the communication and documentation with the 15 Howards as well. So we should be able to 16 determine from those documents.</p> <p>17 Q. How did the six hundred thousand 18 in bad checks come to your attention?</p> <p>19 A. How did it come to our attention? 20 We received a record from a vendor we used called 21 Solutran, S-O-L-U-T-R-A-N, and it was an 22 electronic report informing us of the bad checks 23 coming back.</p> <p>24 MR. BEAUSOLEIL: Would you mark</p>

<p>1 that as a request. (Speaking to the 2 court reporter)</p> <p>3 BY MR. BEAUSOLEIL:</p> <p>4 Q. Can you just spell it for me?</p> <p>5 A. S-O-L-U-T-R-A-N.</p> <p>6 Q. Did it take a little while to 7 negotiate the Note with the Howards?</p> <p>8 A. Yes.</p> <p>9 Q. What first happened when you 10 learned from Solutran that this had happened, 11 that somebody had written six hundred thousand in 12 bad checks? What was your next step; what did 13 you do?</p> <p>14 A. Well, the very first thing we did 15 was we called Solutran and said, "Have you made a 16 mistake in the report?" And eventually after a 17 few days the check copies were mailed which 18 reverified what had happened. We communicated to 19 the operations; asked them exactly what happened, 20 and there was a breakdown in the operating 21 policies and procedures.</p> <p>22 Does that answer your question?</p> <p>23 Q. Yes. Do you know how many checks?</p> <p>24 Can you give me a ballpark?</p>	<p style="text-align: right;">130</p> <p>1 Tampa. I think so. I'm not sure.</p> <p>2 Q. Was that one of the reasons cited 3 by Seminal Tribe for you losing the contracts 4 there?</p> <p>5 A. I do not recall that being the 6 reason.</p> <p>7 Q. Did that become an issue?</p> <p>8 A. With the tribe, no.</p> <p>9 Q. Did it affect your relationship 10 with -- did that incident affect your 11 relationship with the tribe?</p> <p>12 A. No.</p> <p>13 Q. When did Chex first notify iGames 14 about this bad debt?</p> <p>15 A. I believe iGames found out 16 through the SEC filings about this incident.</p> <p>17 Q. When?</p> <p>18 A. I do not exactly remember when.</p> <p>19 Q. Would it have been around January 20 27, 2004?</p> <p>21 A. The September "Q" was due in 22 November.</p> <p>23 Q. What does it become public?</p> <p>24 A. Well, it depends if you file</p>
<p>1 A. Yes. I think the average check 2 is \$7,800 each. So you can take the 601 divided 3 by 7,800. It's in that range.</p> <p>4 Q. Was disciplinary action taken 5 against any employee because of this?</p> <p>6 A. Yes, employees were written up, 7 and one of the directors was demoted.</p> <p>8 Q. Who is this?</p> <p>9 A. Pam Houle, H-O-U-L-E. Not solely 10 for this, but an accumulation of events, 11 including what happened at Seminal, from being a 12 director to a lower position in management. So 13 there was some action taken.</p> <p>14 Q. Do you know who was written up?</p> <p>15 A. I don't remember. I don't recall 16 the names of the employees that were written up.</p> <p>17 Q. All the disciplinary actions were 18 directed towards people in the casino level?</p> <p>19 A. Operations.</p> <p>20 Q. Where were the checks written, 21 what casinos?</p> <p>22 A. Casino Hollywood for sure and I 23 think the other one -- that's Seminal Casino 24 Hollywood, and I believe the other casino was</p>	<p style="text-align: right;">131</p> <p>1 timely or take an extension. So I don't know 2 exactly if he filed an extension for the 3 September "Q." So I can't exactly answer you 4 when was this filed and made public.</p> <p>5 Q. Well, generally, you said it was 6 due in November. Do you know what part of 7 November?</p> <p>8 A. . By the middle of November.</p> <p>9 Q. November 15th; is that right?</p> <p>10 A. Yes.</p> <p>11 Q. And then you could get an 12 extension, though, beyond that date?</p> <p>13 A. Yes, ten working days.</p> <p>14 Q. So if it actually was filed by 15 November 15th, when would it become publicly 16 available?</p> <p>17 A. Immediately.</p> <p>18 Q. What was your next step? You 19 said that you first took action at the booth 20 level to find out what went wrong.</p> <p>21 A. I didn't take action. The 22 operations.</p> <p>23 Q. As part of the management team 24 took action?</p>

<p>1 A. That's correct, yes.</p> <p>2 Q. What was the next step reacting</p> <p>3 to this bad debt?</p> <p>4 A. The next step, as I recall, was</p> <p>5 getting in touch with the Howards and asking them</p> <p>6 exactly what happened and how can we resolve this</p> <p>7 issue.</p> <p>8 Q. Normally the people in the booth</p> <p>9 would have handled it for forty-five days,</p> <p>10 correct?</p> <p>11 A. That is correct.</p> <p>12 Q. But in this case you took it</p> <p>13 over?</p> <p>14 A. That is correct.</p> <p>15 Q. Is that because this was such a</p> <p>16 significant debt?</p> <p>17 A. It was materially high, yes.</p> <p>18 Q. And how did your conversations</p> <p>19 with the Howards go?</p> <p>20 A. It went well initially. They</p> <p>21 were willing to give us a mortgage on their three</p> <p>22 properties and they immediately initiated the</p> <p>23 process of refinancing the properties to pay back</p> <p>24 the debt. And we actually took over the process</p>	<p>134</p> <p>1 particular day. They were over a few days.</p> <p>2 Q. It wasn't more than a week, was</p> <p>3 it?</p> <p>4 A. No. And again, once we get the</p> <p>5 checks, we can determine the dates.</p> <p>6 Q. Who has the cancelled checks?</p> <p>7 A. It's there in my possession.</p> <p>8 Q. Did you turn or consult with the</p> <p>9 local police or any authorities concerning this?</p> <p>10 A. We consulted attorneys. We</p> <p>11 consulted attorneys and a determination was made</p> <p>12 that filing charges would not be the best</p> <p>13 strategy.</p> <p>14 Q. Why?</p> <p>15 A. Because based on the consumer</p> <p>16 protection laws in Florida, you could file</p> <p>17 charges, but it would go into litigation and</p> <p>18 collectability, winning a case and collectability</p> <p>19 is a different issue.</p> <p>20 Q. Did you do criminal checks on</p> <p>21 these people?</p> <p>22 A. Did we do criminal checks on</p> <p>23 these individuals? I do not recall if we did</p> <p>24 criminal checks.</p>
<p>1 of refinancing, also. So we controlled the</p> <p>2 process of refinancing their properties.</p> <p>3 Q. You said they agreed to give you</p> <p>4 a Note and to give you a mortgage and you were</p> <p>5 involved in the refinancing process?</p> <p>6 A. Yes.</p> <p>7 Q. We'll go through the documents.</p> <p>8 Did you investigate whether they</p> <p>9 cashed those checks as part of some kind</p> <p>10 of scheme, criminal scheme?</p> <p>11 A. We did some analytical checks</p> <p>12 with the casino. What we were concerned with was</p> <p>13 did they really play the money at the casino or</p> <p>14 did they just take the cash and not do anything</p> <p>15 with it. So that's a step we took. The casino</p> <p>16 was not able to determine, based on the volume</p> <p>17 that they do, and this did not happen on one</p> <p>18 particular day. It was over a few days, and I</p> <p>19 don't remember exactly how many. So they weren't</p> <p>20 able to determine was the money actually played</p> <p>21 in the casino or was it just taken out.</p> <p>22 Q. Were these checks written within</p> <p>23 a few days of each other?</p> <p>24 A. Yes, they were not on one</p>	<p>135</p> <p>1 Q. Well, what kind of background,</p> <p>2 before you took the Note and they promised you</p> <p>3 mortgages and a refinance, but before you did</p> <p>4 that, did you do any background checks on the</p> <p>5 people?</p> <p>6 A. We did an asset search, a very</p> <p>7 extensive asset search on the Howards as a family</p> <p>8 just to make sure they don't have any other</p> <p>9 assets.</p> <p>10 Q. Did you do that before you took</p> <p>11 the Note?</p> <p>12 A. I don't remember if we did that</p> <p>13 before or after.</p> <p>14 Q. So when you took the Note,</p> <p>15 searching their background and determining their</p> <p>16 assets wasn't necessary before you took the Note?</p> <p>17 A. I did not understand that</p> <p>18 question.</p> <p>19 Q. Well, before you took the Note,</p> <p>20 did you think it was important to first see</p> <p>21 whether these people had assets and whether they</p> <p>22 had criminal records, particularly in this kind</p> <p>23 of field of hanging paper?</p> <p>24 A. You lost me again. I'm sorry,</p>

	138		140
1	could you please repeat that question?	1	Q. Was anyone else involved in the
2	Q. You took a Note for six hundred	2	decision to date the Note September 15th?
3	thousand dollars?	3	A. No, not for the dating of the
4	A. Yes. Can you tell me what the	4	note, no.
5	date of the Note is, if you don't mind?	5	Q. You told me before that normally
6	Q. September 15, 2003, you took the	6	you would immediately write off a check and then
7	Note.	7	begin your collection efforts or during that time
8	A. Okay. But I think the point is	8	begin your Chex efforts. How did you handle this
9	this, if I may interrupt, I don't know when we	9	check on your books, these checks, this six
10	actually executed the Note, but it's dated the	10	hundred thousand dollars?
11	15th. That is directly linked to, I think, your	11	A. We basically booked a receivable
12	question.	12	based on the Note and the collateral that we had.
13	Q. When did you actually negotiate	13	Q. Go ahead.
14	and take the Note?	14	A. We call it receivable based on
15	A. I don't remember that date.	15	the Note and the collateral that we had to
16	Q. You just need to put it in	16	support the valuation of the Note on that
17	perspective with other events?	17	particular date.
18	A. Yes. I'm just thinking about it.	18	Q. Well, you said when you do an
19	It was not on September 15th. It was subsequent	19	accounting for that month, you would be doing
20	to that.	20	your accounting in October for the September bad
21	Q. Well, we'll go through some of	21	checks, correct?
22	these documents. But there was an asset search	22	A. That is correct.
23	done like on January 27th. Was that accomplished	23	Q. And typically you would write
24	before the Note was signed?	24	that off?
	139		141
1	A. I believe it was after. I do not	1	A. That is correct.
2	recall.	2	Q. And here you said instead of
3	Q. And who decided to date the Note	3	doing that, you put the Note, a receivable in
4	September 15th; who picked that date?	4	your books?
5	A. I think the determination of	5	A. That is correct.
6	September satisfy 5th based on the dates on the	6	Q. Explain why you did that instead
7	checks. That would have been the logical thing	7	of writing it off.
8	to do.	8	A. The materiality of the amount
9	Q. Whose idea was it?	9	based on the consultancy with the management of
10	A. Since I was involved in	10	Equitex as well as the accountants, we made a
11	negotiating the Note with them or working on the	11	determination that we had the option of
12	Note with them, it would have been my idea.	12	classifying this as a receivable versus writing
13	Q. You said it was the logical	13	off the amount on the financial statements.
14	thing to do. Isn't the logical thing to do is to	14	Q. What purpose would doing that
15	date the Note the day you signed it?	15	serve?
16	A. No, you sign the Note the date	16	A. Classifying as a receivable?
17	the amount is due. Rather than the date, you	17	Q. Yes.
18	sign it. So to establish that they owed us money	18	A. Well, if we have the option to
19	based on bad checks on a certain date, we dated	19	classify that as a receivable, it would obviously
20	the Note for that particular date.	20	reflect less expenses on the financial
21	Q. Did the date on the Note, did you	21	statements.
22	consider at all your transaction with iGames in	22	Q. Did you do that so that iGames
23	coming up with this September 15, 2003, date?	23	wouldn't realize the problem you had there with
24	A. No, we did not or I did not.	24	the six hundred bad debt?

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<p>1 A. The overall materiality of the 2 transactions that we do over the course of a 3 particular year, this one particular incident I 4 don't think constitutes material enough to do or 5 classify a transaction in the manner to avoid or 6 be concerned about what the iGames' reaction 7 would be.</p> <p>8 Q. You had no concern about iGames' 9 reaction to the \$606,000 in bad debt?</p> <p>10 A. When we classified this Note as a 11 receivable, I do not recall our concern was 12 iGames' reaction.</p> <p>13 Q. What about the reaction of your 14 investors, was that a concern?</p> <p>15 A. No. If you look at the overall 16 bad debt expense in our financial statements and 17 compare this amount, our bad debt is around two 18 to three, three-and-a-half million a year. So I 19 don't think this amount was significantly 20 material to be concerned about the Note holders.</p> <p>21 Q. It was significant enough to 22 handle it differently than any other check that 23 had ever been handled by you?</p> <p>24 A. True.</p>	<p>142</p> <p>1 Note at that time. How could you 2 justify marking it as a receivable when 3 all you had was discussions with the 4 Howards and checks marked NSF?"</p> <p>5 MR. BEAUSOLEIL: The only change 6 was, I correct myself, it's several 7 checks.</p> <p>8 MR. PORETTI: The same objection. 9 I'll also add that I object on the basis 10 that it's vague.</p> <p>11 BY MR. BEAUSOLEIL:</p> <p>12 Q. You still have to answer.</p> <p>13 A. Could you clarify the question 14 again for me? I really didn't understand it or 15 break it down, please.</p> <p>16 Q. You told me normally you would 17 write a check off, correct?</p> <p>18 A. Yes.</p> <p>19 Q. And in October you're telling me 20 you did not write a check off; you did not write 21 the six hundred thousand worth of checks off. 22 Instead you marked in the books a receivable from 23 the Howards?</p> <p>24 A. In September we marked the</p>
<p>143</p> <p>1 Q. But it was not significant enough 2 to hide from iGames?</p> <p>3 A. When we classified that as a 4 receivable, the purpose was not to do it because 5 how iGames would react to that particular 6 incident.</p> <p>7 Q. Well, in October you're doing 8 your books and you said you didn't write it off, 9 you noted it as a receivable?</p> <p>10 A. Hm-hmm.</p> <p>11 Q. But you didn't have a Note at 12 that time. How could you justify marking it as a 13 receivable when all you had was discussions with 14 the Howards and checks marked NSF?</p> <p>15 MR. PORETTI: Objection. It 16 assumes facts not in evidence. It calls 17 for speculation and lacks foundation.</p> <p>18 MR. BEAUSOLEIL: Can you read my 19 question again because there's no 20 objection to that question. It's not 21 objectionable.</p> <p>22 (Whereupon the court reporter 23 read back the last question as follows:)</p> <p>24 "Question: But you didn't have a</p>	<p>145</p> <p>1 receivable.</p> <p>2 Q. You marked it in September?</p> <p>3 A. Well, in the financial statements 4 is for September.</p> <p>5 Q. You're doing it back for 6 September. You're doing October 1st for 7 September.</p> <p>8 A. The checks went bad in September. 9 It is reflected in the financial statements as a 10 receivable in September. I don't know exactly 11 the date the Note was executed.</p> <p>12 Q. Well, we established it certainly 13 wasn't in September, correct?</p> <p>14 A. I believe, yes, that probably is 15 correct, yes.</p> <p>16 Q. My question was then, how, if you 17 did not have a Note from the Howards, all you had 18 were bad checks, --</p> <p>19 A. In which period?</p> <p>20 Q. For the September period.</p> <p>21 A. Okay.</p> <p>22 Q. -- how could you put in a 23 receivable on your books in September when you 24 had no Note?</p>

<p>1 A. The way the accounting GAAP 2 works, if you have established a basis to justify 3 an event in the past, you can classify that Note 4 for that particular date and book a receivable, 5 because the financials for the month of September 6 are not completed anyway until the end of, the 7 middle of October. And the "Q" especially is 8 filed even later that. And there's always 9 adjustments from the auditors, and you can go 10 back and rectify things on a particular date from 11 back and do those things. It was with the 12 consent and the knowledge of the auditors.</p> <p>13 Q. Okay. So you could take your 14 knowledge in October and November, if you end up 15 getting into November, and use that to adjust the 16 books in September, correct?</p> <p>17 A. That is correct.</p> <p>18 Q. So if you got the Note in October 19 or November and dated it September 15th, you 20 could then go on your books, note a receivable 21 for September because you now have that Note?</p> <p>22 A. That is correct.</p> <p>23 Q. You also need, in addition to the 24 Note, if they believe that, you could collect on</p>	<p style="text-align: right;">146</p> <p>1 A. Absolutely. We got valuations 2 from some independent appraisals in giving the 3 initial valuation on the properties, and based on 4 those assessments we were comfortable, so were 5 the auditors, that we could record this as a 6 receivable.</p> <p>7 Q. Weren't the Howards in default of 8 the Note a month before November 15th?</p> <p>9 A. A month before November 15th?</p> <p>10 Well, again it depends when the Note was 11 executed.</p> <p>12 Q. Okay. Weren't the Howards in 13 default of the Note as after October 14, 2003?</p> <p>14 A. Well, if the Note was not 15 executed on October 14th, we would not know if 16 they were in default.</p> <p>17 (Whereupon a document entitled 18 Promissory Note dated September 15, 2003, 19 was marked as iGames-3)</p> <p>20 BY MR. BEAUSOLEIL:</p> <p>21 Q. We marked iGames-3. This is a 22 Promissory Note it says at the top. Can you look 23 at this document.</p> <p>24 (Whereupon iGames-3 was</p>
<p>1 that Note?</p> <p>2 A. That is correct.</p> <p>3 Q. So when you're doing your books 4 for September it's going to be, by the time you 5 complete them, around October 25th or even later, 6 correct?</p> <p>7 A. For this particular quarter, it 8 was a "Q" filing, 10-Q filings, so it was even 9 later than October.</p> <p>10 Q. It was in November?</p> <p>11 A. 15th of November or if the 12 extension was filed subsequent to that.</p> <p>13 Q. So you're filing at the earliest 14 November 15th, and on that date you need a good 15 faith basis to believe not only that you have a 16 Note but that you could collect the Note?</p> <p>17 A. That would be a correct 18 statement.</p> <p>19 Q. You said "that would be a correct 20 statement"?</p> <p>21 A. A correct statement, yes.</p> <p>22 Q. Did you have on November 15, 23 2003, a good faith belief that you could collect 24 six hundred thousand from the Howards?</p>	<p style="text-align: right;">147</p> <p>1 handed to the witness to peruse)</p> <p>2 THE WITNESS: Okay.</p> <p>3 BY MR. BEAUSOLEIL:</p> <p>4 Q. Is that the Note that the Howards 5 signed that we've been discussing?</p> <p>6 A. For the record, they're two 7 Notes. So this is the initial Note the Howards 8 signed.</p> <p>9 Q. This is the initial Note that the 10 Howards signed. And this is dated September 15, 11 2003, correct?</p> <p>12 A. That is correct.</p> <p>13 Q. This is the Note we've been 14 discussing, correct?</p> <p>15 A. I believe so, yes.</p> <p>16 Q. So can you give me, looking at 17 that, any estimate of when it was actually 18 signed?</p> <p>19 A. I really cannot. Looking at this 20 document, based on what was going on during 2003, 21 as to what date this Note was executed.</p> <p>22 Q. You consider accepting a Note 23 like this in lieu of six hundred thousand dollars 24 worth of bad checks to be in the ordinary course</p>

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<p>1 of business?</p> <p>2 A. Well, ordinary course of 3 business--</p> <p>4 MR. PORETTI: I'm going to object 5 to the extent it calls for a legal 6 conclusion, but you go ahead and answer 7 it.</p> <p>8 A. A Note like this as in the 9 ordinary course of business, no, it would not be 10 considered in the ordinary course of business.</p> <p>11 Q. The Note is dated September 15, 12 2003. In the third paragraph, it says 13 "Notwithstanding anything contained herein to the 14 contrary, on October 14, 2003, the entire 15 outstanding principal balance, together with 16 accrued interest and any other amounts due 17 hereunder, shall be due and payable in full." Do 18 you know in reading that, does that refresh your 19 recollection as to when the Note was actually 20 signed as opposed to dated?</p> <p>21 A. It does not.</p> <p>22 Q. It does not?</p> <p>23 A. No.</p> <p>24 Q. Well, would you agree that as of</p>	150	152
<p>1 October 14, 2003, the entire outstanding 2 principal balance was not paid?</p> <p>3 A. Yes.</p> <p>4 Q. Would you agree that they had, in 5 fact, the Howards had, in fact, made zero 6 payments as of October 14, 2003, towards this 7 Note?</p> <p>8 A. Yes.</p> <p>9 Q. Would you agree, then, that on 10 November 15, 2003, you at that point already knew 11 that the Howards were in default on this Note, 12 had not paid any money?</p> <p>13 MR. PORETTI: Objection. It 14 assumes facts not in evidence.</p> <p>15 A. My challenge is I don't know if 16 this Note was signed before November 15th even 17 though it's states the payment was due on October 18 14th. But if they never signed it on November 19 15th, it's difficult to determine.</p> <p>20 Q. So it's possible that you asked 21 them, got them to sign this document after 22 October 14, 2003? Is that possible?</p> <p>23 A. It is possible. I just don't 24 know the date.</p>	151	153

DEC 28 2004

1 UNITED STATES DISTRICT COURT
2 FOR THE DISTRICT OF DELAWARE
3

4 iGAMES ENTERTAINMENT, : CIVIL ACTION
5 INC., :
6

7 v. :
8 : :
9 CHEX SERVICES, INC. :
10 and EQUITEX, INC. : CIVIL ACTION NO.
11 : :
12 : C.A. 04-180-KAJ
13

14 December 15, 2004
15

16 Volume II
17

18 Continuation of the oral
19 deposition of IJAZ ANWAR taken pursuant
20 to notice, was held at the law offices of
21 DUANE MORRIS, LLP, 4200 One Liberty
22 Place, 1650 Market Street, Philadelphia,
23 Pennsylvania beginning at 9:56 a.m., on
24 the above date, before Terri L.
Ochipinti, a Professional Reporter and
Commissioner of Deeds in the Commonwealth
of Pennsylvania.

25 - - -
26 ESQUIRE DEPOSITION SERVICES
27 15th Floor
28 1880 John F. Kennedy Boulevard
29 Philadelphia, Pennsylvania 19103
30 (215) 988-9191
31

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1 A. These are the warrants that
2 were given to -- some where given to
3 Blake Advisors and some were given to
4 White Box and Pandora. So that's a Black
5 Shore valuation for the warrants.

6 Q. It also mentions Seven
7 Ventures. When did you begin -- when
8 were you first contacted -- let me ask
9 you this in a different way.

10 First of all, what is Seven
11 Ventures?

12 A. Seven Ventures is a shell, a
13 bulletin board shell, so that's what
14 Seven Ventures is.

15 Q. When did you first become
16 aware of Seven Ventures?

17 A. I believe sometime during
18 January of 2004.

19 Q. And how did you become aware
20 of that?

21 A. We were approached by a
22 representative of -- not a
23 representative, an individual that does
24 deals by name of Mark Savage. It could

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1 have been end of December, beginning of
2 January, in that time frame. So he
3 approached us and said, you know, there's
4 a merchant banking forum that is
5 interested in gaining business and
6 transaction. Would you be interested in
7 looking into it? I said, sure.

8 Q. And was the merchant banker,
9 Maroon Bells?

10 A. Yes.

11 Q. I'm going to show you what's
12 he been marked Exhibit 96.

13 A. Thanks.

14 MR. BEAUSOLEIL: Do you have
15 that? It's a prior deposition.

16 MR. ROBBEN: I'm pretty sure
17 I have it.

18 THE WITNESS: I got it,
19 thanks.

20 BY MR. BEAUSOLEIL:

21 Q. Can I see what I handed you?

22 A. An e-mail from --

23 Q. And the first e-mail there
24 is from Chris Larson to you?

IJAZ ANWAR

1 Q. Was White Box told that you
2 were going to terminate the stock
3 purchase agreement before you notified
4 iGames?

5 A. I don't think we told White
6 Box that. I don't remember telling White
7 Box that.

8 Q. Once White Box or -- once
9 iGames was dropped from the term sheets
10 with White Box, was it understood that
11 iGames would not go through -- or was it
12 understood that Chex would not close on
13 the November 3, 2003 stock purchase
14 agreement?

15 A. I think, yeah, it would be
16 once iGames was dropped, I think it was
17 mutually understood that's why everybody
18 was working on the new merger agreement;
19 that it would be very difficult to close
20 on the signed SPA, yes.

21 Q. Do you believe that the
22 stock purchase agreement, November 3,
23 2003 agreement was still binding, was
24 still the binding document between

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1 iGames, Chex and Equitex when you
2 terminated it?

3 A. Yes. It was the only
4 binding agreement.

5 Q. Okay.

6 (Exhibit 114 marked for
7 identification.)

8 BY MR. BEAUSOLEIL:

9 Q. Were you still negotiating
10 with Mercantile in February for money?

11 A. I am quite certain I know I
12 can't pinpoint the date again, but based
13 on the documentation you have, we
14 possibly were.

15 Q. All right. Let me hand you
16 Exhibit 114. Take a look at this and let
17 me know if you have seen it before.

18 A. (Witness complies).

19 Q. Have now had a chance to
20 look at Exhibit 114?

21 A. Yes.

22 Q. First of all, is Carey the
23 secretary you were trying to think of
24 before, the Blake Advisors assistant or

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1 Q. But the first two, the
2 Maroon Bells corporate documents were
3 attached to the document?

4 A. Yeah.

5 Q. Those two are attached?

6 A. Yeah.

7 Q. And this is dated January
8 15, 2004; is that right?

9 A. Yes.

10 Q. And what is this?

11 A. This is an introductory
12 letter from Chex Services to Maroon Bells
13 Capital, and then confidential evaluation
14 and a mutual loan disclosure agreement to
15 Maroon Bell Capital. Corporate Capital
16 Management, LLC, as we talked this
17 morning, Mark Savage is with Corporate
18 Capital Management.

19 Q. Okay. I'm sorry. I see
20 that. What I was looking at is e-mail
21 correspondence to Capital Management,
22 LLC. What caused you to write this
23 January 15, 2004 letter?

24 A. When Mark Savage approached

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1 like any companies that you have been
2 introduced to?

3 A. I think they are referring
4 -- the first company to is -- first one
5 or the second one, the only company that
6 I'm aware of actually -- two companies
7 can Pay Guard and Pay To, and I think
8 that that's what they're referring to.
9 I'm not certain. Both out of Europe.

10 Q. Let me hand you Exhibit 125.
11 (Exhibit 125 marked for
12 identification.)

13 BY MR. BEAUSOLEIL:

14 Q. Have you seen this document
15 before?

16 A. From Rick Landry to us. I
17 do recall receiving this document from
18 Rick Landry.

19 Q. Okay. The initial e-mail
20 down below here is from you to Rick
21 Landry at Maroon Bells?

22 A. Yes.

23 Q. And you ask him to send you
24 information and he then sends you a list

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1 discussions I've had with Henry and Jim
2 alluded to that if we have to close and
3 liquidate Equitex that's what we would
4 do. So I don't think -- I have not heard
5 them taking a position that because of
6 tax consequences we are not going to
7 close on the SPA. I personally did not
8 hear.

9 Q. Do you know whether Equitex
10 committed to moving forward on the -- he
11 sorry. Let me ask you a new question.

12 Do you know when it was
13 finally decided that Equitex would close
14 on the White Box financing?

15 A. When Equitex decided they
16 would close on the White Box financing?
17 I think after speaking to Chris in
18 January Equitex had the intent to move
19 forward with White Box financing. I
20 don't -- I can't pin down the exact date
21 of their intent.

22 Q. Did you participate in the
23 March 3, 2003 board of directors meeting
24 of Equitex which was done via conference